

# ITAWAMBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2011

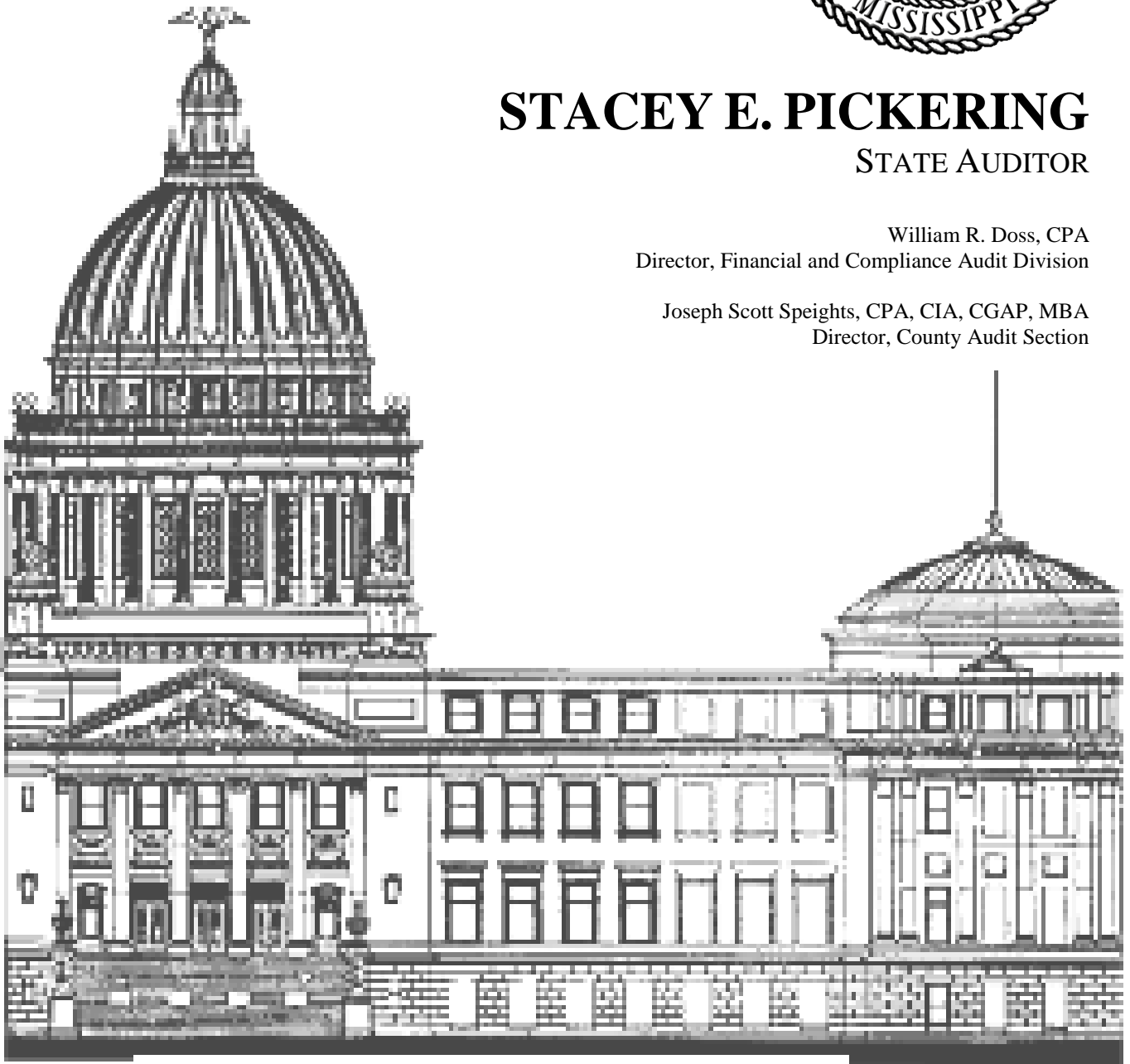


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

October 2, 2013

Members of the Board of Supervisors  
Itawamba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Itawamba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Itawamba County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Itawamba County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



ITAWAMBA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	5
FINANCIAL STATEMENTS .....	15
Statement of Net Assets .....	17
Statement of Activities .....	18
Balance Sheet – Governmental Funds.....	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	23
Statement Net Assets – Proprietary Fund.....	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund .....	26
Statement of Cash Flows – Proprietary Fund .....	27
Statement of Fiduciary Assets and Liabilities .....	28
Notes to Financial Statements .....	29
REQUIRED SUPPLEMENTARY INFORMATION .....	49
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – General Fund .....	51
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Tombigbee Tooling, Inc. Fund .....	52
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Blue Fire Industrial Fund .....	53
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Itawamba County Medical Fund.....	54
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Road Maintenance Fund.....	55
Notes to the Required Supplementary Information .....	57
SPECIAL REPORTS.....	59
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	61
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) .....	63
Limited Internal Control and Compliance Review Management Report .....	69
SCHEDULE OF FINDINGS AND RESPONSES .....	73





ITAWAMBA COUNTY

FINANCIAL SECTION

ITAWAMBA COUNTY

(This page left blank intentionally)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Itawamba County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, (the County) as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$408,502, as of September 30, 2011. Also, because of the nature of the Justice Court fines receivable records, we could not satisfy ourselves as the fair presentation of the related transactions of the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Itawamba County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.


In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, if any, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Itawamba County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Tombigbee Tooling, Inc. Fund, the Bluefire Industrial Fund, the Itawamba County Medical Fund, the Countywide Road Maintenance Fund, the Solid Waste Disposal Fund and the aggregate remaining fund information of Itawamba County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013, on our consideration of Itawamba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 2, 2013

## ITAWAMBA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

ITAWAMBA COUNTY

(This page left blank intentionally.)

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**INTRODUCTION**

The discussion and analysis of Itawamba County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2011. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Itawamba County is located in the northern portion of Mississippi approximately 166 miles northeast of Jackson, Mississippi, the state Capital. The population, according to the 2010 census, is 23,401. The local economic base is driven primarily by manufacturing.

**FINANCIAL HIGHLIGHTS**

Itawamba County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting, and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Itawamba County is not currently growing economically or in population. We do not anticipate steady growth in tax revenues; however, because the County is taking measures to reduce expenses, a significant increase in millage is not anticipated. This does not include school tax increases.

Total net assets including a prior period adjustment of \$567,708 increased \$4,154,389 which represents a 22% increase from the prior fiscal year mainly due to an increase in capital assets. The County's ending cash balance decreased by \$1,154,956 from the prior fiscal year.

The County had \$14,277,757 in total revenues during the current fiscal year compared to \$9,571,567 during fiscal year 2010. Property tax revenues account for \$4,555,382 and \$4,474,196, or 32% and 47% of total revenues during fiscal years ended 2011 and 2010 respectively. Intergovernmental revenues in the form of reimbursements, shared revenue, or grants accounted for \$5,606,355 and \$1,681,954 or 39% and 18% of total revenues during fiscal years ended 2011 and 2010 respectively. Total expenses amounted to \$9,555,660 during 2011 and \$8,855,294 during 2010. This represents an increase of \$700,366 or 8% from the prior fiscal year.

Expenses were offset by charges for services, grants and contributions in the amount of \$6,840,263. General revenues of \$7,437,404 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$4,135,706 in revenues and \$4,328,702 in expenditures. The General Fund's fund balance decreased \$485,156 from the prior year.

The Tombigbee Tooling Fund had \$20,444 in revenues and no expenditures. The fund balance increased \$41 over the prior year.

The Blue Fire Industrial Fund had \$2,580,844 in revenues and \$2,816,438 in expenditures. The fund balance decreased by \$458,907 from the prior year.

The Itawamba County Medical Fund had \$277,242 in revenues and \$22,460 in expenditures. The fund balance increased by \$127,607 from the prior year which included the effect of a prior period adjustment of (\$127,175).

The Countywide Road Maintenance Fund had \$3,165,199 in revenues and \$3,419,016 in expenditures. The fund balance decreased \$162,887 from the prior year.

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Capital assets, net of accumulated depreciation, as of September 30, 2011 were \$26,877,573, which represents an increase of \$4,187,996 from the prior year.

Long-term debt as of September 30, 2011 was \$8,981,885, which represents a decrease of \$1,222,974 from the prior year. Of this amount, \$1,223,063 is due in fiscal year 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

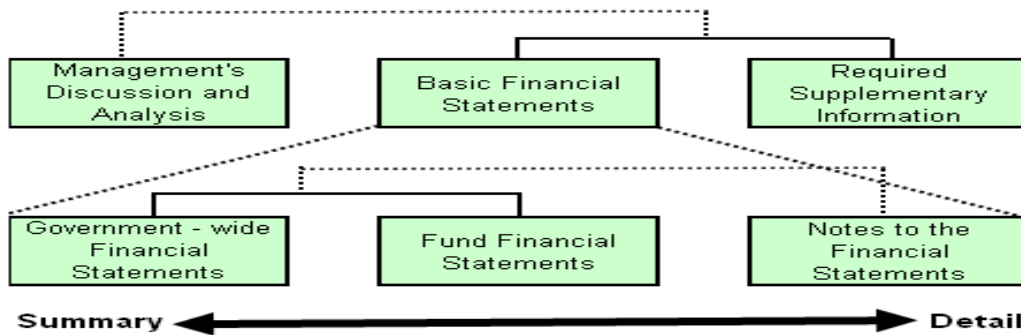


Figure 1 shows how required parts of this annual report are arranged and relate to one another.



**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements**

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	<b>Entire County government (except fiduciary funds) and component units</b>	<b>All activities of the County that are not business-type or fiduciary in nature</b>	<b>Activities of the County that operate similar to private businesses</b>	<b>The County is the trustee or agent for someone else's resources</b>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Modified accrual accounting and current financial resources focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Accrual accounting and economic resources focus</b>
<b>Type of asset/liability information</b>	<b>All assets and liabilities, both financial and capital and short and long term</b>	<b>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</b>	<b>All assets and liabilities, both financial and capital, and short and long term</b>	<b>All assets and liabilities, both short and long term</b>
<b>Type of inflow/outflow information</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **Statement of Net Assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **Statement of Activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 17 and 18 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 23, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 19 and 21 of this report.

**Proprietary funds**—Services for which Itawamba County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The County has only one type of proprietary funds—enterprise funds. The County's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows are all required statements. The Proprietary Fund Financial Statements can be found on pages 25 through 27 of this report.

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 28 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29 through 47 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 51 through 57 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**—Net assets may serve over time as a useful indicator of the government's financial position. In the case of Itawamba County, assets exceeded liabilities by \$23,518,781 as of September 30, 2011.

A large portion of the County's net assets, \$18,770,816, or 80%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2011 and 2010.

	Governmental Activities	
	2011	2010
Current assets	\$ 10,318,177	\$ 12,481,235
Capital assets, net	26,714,268	22,466,288
Total assets	<u>37,032,445</u>	<u>34,947,523</u>
Current liabilities	4,859,280	5,989,040
Long-term debt outstanding	8,864,916	10,073,069
Total liabilities	<u>13,724,196</u>	<u>16,062,109</u>
Net assets:		
Invested in capital assets, net of related debt	18,703,403	13,299,438
Restricted	3,328,860	3,925,285
Unrestricted	1,275,986	1,660,691
Total net assets	<u>\$ 23,308,249</u>	<u>\$ 18,885,414</u>

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Business-type Activities	
	2011	2010
Current assets	\$ 323,312	\$ 521,378
Capital assets, net	163,305	223,289
Total assets	<u>486,617</u>	<u>744,667</u>
Current liabilities	159,116	133,899
Long-term debt outstanding	116,969	131,790
Total liabilities	<u>276,085</u>	<u>265,689</u>
Net assets:		
Invested in capital assets, net of related debt	67,413	104,869
Restricted	143,119	374,109
Total net assets	<u>\$ 210,532</u>	<u>\$ 478,978</u>

Changes in Net Assets—Itawamba County's total revenues for the fiscal year ended September 30, 2011 were \$14,277,757. The total cost for all services provided was \$9,555,660, resulting in an increase in net assets of \$4,154,389 including prior period adjustments of (\$567,708). The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2011 and 2010.

<b>Governmental Activities</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
Program Revenues		
Charges for services	\$ 831,375	1,243,237
Operating grants and contributions	882,287	794,377
Capital grants and contributions	4,153,979	408,190
General Revenues		
Property taxes	4,555,382	4,474,196
Road and bridge privilege taxes	260,828	281,311
In lieu tax - Bluefire	1,148,847	
Grants and contributions not restricted specific programs	563,160	468,558
Interest income	80,010	84,634
Other	822,058	844,262
<b>Total Revenues</b>	<b>13,297,926</b>	<b>-0-</b>
Transfers	3,611	-0-
<b>Total Revenues and Transfers</b>	<b>13,301,537</b>	<b>8,598,765</b>
<b>Expenses:</b>		
General government	2,555,725	607,525
Public safety	1,638,907	2,079,307
Public works	3,159,851	2,293,427
Health and welfare	178,908	175,507
Culture and recreation	86,128	93,691
Conservation of natural resources	89,399	88,341
Economic development	236,044	1,935,522
Interest on long-term debt	438,520	510,428
<b>Total Expenses</b>	<b>8,383,482</b>	<b>7,783,748</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 4,918,055</b>	<b>815,017</b>

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<b>Business-type Activities</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
Program Revenues		
Charges for services	\$ 965,783	952,347
Other grants and intergovernmental revenues	6,929	10,829
General Revenues		
Interest income	3,248	3,581
Other	3,871	6,045
<b>Total Revenues</b>	<b>979,831</b>	<b>972,802</b>
<b>Expenses:</b>		
Public works/solid waste	1,172,178	1,071,546
<b>Total Expenses</b>	<b>1,172,178</b>	<b>1,071,546</b>
Transfers	3,611	0
<b>Total Expenses and Transfers</b>	<b>1,175,789</b>	<b>1,071,546</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (195,958)</b>	<b>(98,744)</b>

Governmental and Business-Type Activities—The following information presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, Interest on Long-term Debt, and Solid Waste Management.

The information also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Itawamba County's taxpayers by each of these functions.

	<b>2011</b>		<b>2010</b>	
	<b>Total Expenses</b>	<b>Net (Expense) Revenue</b>	<b>Total Expenses</b>	<b>Net (Expense) Revenue</b>
General government	\$ 2,555,725	(1,981,672)	607,525	256,112
Public safety	1,638,907	(1,186,147)	2,079,307	(1,544,208)
Public works	3,159,851	(785,156)	2,293,427	(1,408,348)
Health and welfare	178,908	(141,084)	175,507	(143,292)
Culture and recreation	86,128	(86,128)	93,691	(93,691)
Conservation of natural resources	89,399	(89,399)	88,341	(88,341)
Economic development	236,044	2,192,265	1,935,522	(1,805,748)
Interest on long-term debt	438,520	(438,520)	510,428	(510,428)
Total Government Activities	8,383,482	(2,515,841)	7,783,748	(5,337,944)
Business-type activities:				
Solid waste	1,172,178	(199,466)	1,071,546	(108,370)
Total Primary Government	\$ 9,555,660	(2,715,307)	8,855,294	5,446,314

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental funds**—At the close of the fiscal year, Itawamba County's governmental funds reported a combined fund balance of \$4,365,825, a decrease of \$1,085,966. The primary reason for this decrease is related to construction expenditures related to various economic development projects presented as current year expenditures in the Fund statements but capitalized in the Government-wide statements.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$485,156.

Business-type Funds – Revenue from the County's Solid Waste Disposal Fund increased by 1% to \$979,831 and expenses increased by 9% to \$1,172,178.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Itawamba County revised its annual operating budget on several occasions. Even with these adjustments, actual disbursements were below final budget amounts by \$703,776 in the General Fund.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**—As of September 30, 2011, Itawamba County's total gross capital assets, excluding depreciation, were \$37,459,825. This includes land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$5,311,167.

Total accumulated depreciation as of September 30, 2011 was \$10,582,252, including \$1,242,278 of depreciation expense for the year. The balance in total net capital assets was \$26,877,573 at year-end.

Additional information on Itawamba County's capital assets can be found in Note 7 on pages 39 and 40 of this report.

**Debt Administration**—At September 30, 2011, Itawamba County had \$8,981,885 in long-term debt outstanding. This includes general obligation bonds, capital leases and other loans. Of this debt, \$1,223,063 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 19 million dollars.

Additional information on Itawamba County's long-term debt can be found in Note 11 on pages 43 through 45 of this report.

**CURRENT AND FUTURE ITEMS OF IMPACT**

Itawamba County continues to develop and attract industrial development in the area with future plans for expansion of its industrial park and port facilities.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 776, Fulton, MS 38843-0776.

ITAWAMBA COUNTY

FINANCIAL STATEMENTS

ITAWAMBA COUNTY

(This page left blank intentionally.)



ITAWAMBA COUNTY  
Statement of Net Assets  
September 30, 2011

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,978,143	214,597	5,192,740
Property tax receivable	3,566,218		3,566,218
Accounts receivable (net of allowance for uncollectibles of \$385,420)		70,400	70,400
Fines receivable (net of allowance for uncollectibles of \$1,404,353)	408,502		408,502
Capital leases receivable	626,682		626,682
Intergovernmental receivables	478,545	3,871	482,416
Other receivables	42,683	38,622	81,305
Internal balances	4,178	(4,178)	
Prepaid items	164,325		164,325
Deferred charges - bond issuance costs	48,901		48,901
Capital assets:			
Land	5,046,600		5,046,600
Other capital assets, net	21,667,668	163,305	21,830,973
Total Assets	37,032,445	486,617	37,519,062
LIABILITIES			
Claims payable	672,622	84,752	757,374
Intergovernmental payables	374,816	3,063	377,879
Accrued interest payable	53,681	163	53,844
Deferred revenue	3,705,208		3,705,208
Unearned revenue		71,138	71,138
Amounts held in custody for others	52,953		52,953
Long-term liabilities			
Due within one year:			
Capital debt	1,126,263	23,116	1,149,379
Non-capital debt	73,684		73,684
Due in more than one year:			
Capital debt	6,884,602	72,776	6,957,378
Non-capital debt	780,367	21,077	801,444
Total Liabilities	13,724,196	276,085	14,000,281
NET ASSETS			
Invested in capital assets, net of related debt	18,703,403	67,413	18,770,816
Restricted:			
Expendable:			
General government	18,835		18,835
Public safety	504,587		504,587
Public works	968,061	143,119	1,111,180
Health and welfare	1,189,359		1,189,359
Economic development	509,777		509,777
Debt service	113,891		113,891
Nonexpendable	24,350		24,350
Unrestricted	1,275,986		1,275,986
Total Net Assets	\$ 23,308,249	210,532	23,518,781

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,555,725	541,860	32,193		(1,981,672)		(1,981,672)
Public safety	1,638,907	289,515	157,708	5,537	(1,186,147)		(1,186,147)
Public works	3,159,851		654,562	1,720,133	(785,156)		(785,156)
Health and welfare	178,908		37,824		(141,084)		(141,084)
Culture and recreation	86,128				(86,128)		(86,128)
Conservation of natural resources	89,399				(89,399)		(89,399)
Economic development and assistance	236,044			2,428,309	2,192,265		2,192,265
Interest on long-term debt	438,520				(438,520)		(438,520)
Total Governmental Activities	<u>8,383,482</u>	<u>831,375</u>	<u>882,287</u>	<u>4,153,979</u>	<u>(2,515,841)</u>		<u>(2,515,841)</u>
Business-type activities:							
Solid waste	<u>1,172,178</u>	<u>965,783</u>	<u>6,929</u>			<u>(199,466)</u>	<u>(199,466)</u>
Total Business-type Activities	<u>1,172,178</u>	<u>965,783</u>	<u>6,929</u>	<u>0</u>		<u>(199,466)</u>	<u>(199,466)</u>
Total Primary Government	<u>\$ 9,555,660</u>	<u>1,797,158</u>	<u>889,216</u>	<u>4,153,979</u>	<u>(2,515,841)</u>	<u>(199,466)</u>	<u>(2,715,307)</u>
General revenues:							
Property taxes					\$ 4,555,382		4,555,382
Road & bridge privilege taxes					260,828		260,828
In lieu tax - Bluefire					1,148,847		1,148,847
Grants and contributions not restricted to specific programs					563,160		563,160
Unrestricted interest income					80,010	3,248	83,258
Miscellaneous					822,058	3,871	825,929
Transfers					<u>3,611</u>	<u>(3,611)</u>	
Total General Revenues and Transfers					<u>7,433,896</u>	<u>3,508</u>	<u>7,437,404</u>
Changes in Net Assets					<u>4,918,055</u>	<u>(195,958)</u>	<u>4,722,097</u>
Net Assets - Beginning, as previously reported					18,885,414	478,978	19,364,392
Prior period adjustment					<u>(495,220)</u>	<u>(72,488)</u>	<u>(567,708)</u>
Net Assets - Beginning, as restated					<u>18,390,194</u>	<u>406,490</u>	<u>18,796,684</u>
Net Assets - Ending					<u>\$ 23,308,249</u>	<u>210,532</u>	<u>23,518,781</u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2011

Exhibit 3

	<u>Major Funds</u>						
	<u>General Fund</u>	<u>Tombigbee Tooling, Inc. Fund</u>	<u>Bluefire Industrial Fund</u>	<u>Itawamba County Medical Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash	\$ 1,556,267	2,848	207,336	1,156,693	663,017	1,391,982	4,978,143
Property tax receivable	1,911,382				569,000	1,085,836	3,566,218
Fines receivable (net of allowance for uncollectibles of \$1,404,353)	408,502						408,502
Capital lease receivable		626,682					626,682
Intergovernmental receivables	122,007				76,951	279,587	478,545
Other receivables	12,203					30,480	42,683
Due from other funds	11,412				38,650	36,628	86,690
Advances to other funds	24,350						24,350
Total Assets	<u>\$ 4,046,123</u>	<u>629,530</u>	<u>207,336</u>	<u>1,156,693</u>	<u>1,347,618</u>	<u>2,824,513</u>	<u>10,211,813</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 246,560				82,333	343,729	672,622
Intergovernmental payables	368,514				4,219	2,083	374,816
Due to other funds	106,862						106,862
Deferred revenue	2,319,884	626,682			569,000	1,123,169	4,638,735
Amounts held in custody for others	23,297					29,656	52,953
Total Liabilities	<u>3,065,117</u>	<u>626,682</u>	<u>0</u>	<u>0</u>	<u>655,552</u>	<u>1,498,637</u>	<u>5,845,988</u>
Fund balances:							
Nonspendable:							
Advances	24,350						24,350
Restricted for:							
General government						18,835	18,835
Public safety						504,587	504,587
Public works					692,066	275,995	968,061
Health and welfare				1,156,693		32,666	1,189,359
Economic development and assistance		2,848	207,336			299,593	509,777
Debt service						167,572	167,572
Committed to:							
Economic development and assistance						26,628	26,628
Unassigned	956,656						956,656
Total Fund Balances	<u>981,006</u>	<u>2,848</u>	<u>207,336</u>	<u>1,156,693</u>	<u>692,066</u>	<u>1,325,876</u>	<u>4,365,825</u>
Total Liabilities and Fund Balances	<u>\$ 4,046,123</u>	<u>629,530</u>	<u>207,336</u>	<u>1,156,693</u>	<u>1,347,618</u>	<u>2,824,513</u>	<u>10,211,813</u>

The notes to the financial statements are an integral part of this statement.

## ITAWAMBA COUNTY

Exhibit 3-1

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,365,825
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$21,667,668.	26,714,268
Fines Receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	408,502
Intergovernmental receivable that is not available to pay for current period expenditures and, therefore, are deferred in the funds.	37,333
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,864,916)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(53,681)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	487,692
Deferred charges - bond issuance costs	48,901
Deferred charges - prepaid insurance	<u>164,325</u>
Total Net Assets - Governmental Activities	\$ <u><u>23,308,249</u></u>

The notes to the financial statements are an integral part of this statement.

## ITAWAMBA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2011

	Major Funds					Other	Total
	General	Tombigbee	Bluefire	Itawamba	Countywide Road	Governmental	Governmental
	Fund	Tooling, Inc.	Industrial	County Medical	Maintenance	Funds	Funds
	Fund	Fund	Fund	Fund	Fund		
REVENUES							
Property taxes	\$ 2,781,832				717,052	1,056,498	4,555,382
Road and bridge privilege taxes					260,828		260,828
Licenses, commissions and other revenue	238,870					6,346	245,216
Fines and forfeitures	279,560					17,057	296,617
In lieu tax - Bluefire			1,148,847				1,148,847
Intergovernmental revenues	633,557		1,428,387		2,146,002	1,354,147	5,562,093
Charges for services	73,989					243,275	317,264
Interest income	15,906	20,444	3,610	11,720	8,566	19,764	80,010
Miscellaneous revenues	111,992			265,522	32,751	358,928	769,193
Total Revenues	<u>4,135,706</u>	<u>20,444</u>	<u>2,580,844</u>	<u>277,242</u>	<u>3,165,199</u>	<u>3,056,015</u>	<u>13,235,450</u>
EXPENDITURES							
Current:							
General government	2,484,672					21,707	2,506,379
Public safety	1,425,342					624,170	2,049,512
Public works					3,365,653	538,237	3,903,890
Health and welfare	84,199			22,460		45,549	152,208
Culture and recreation	86,128						86,128
Education							
Conservation of natural resources	88,009						88,009
Economic development and assistance	110,647		2,816,438			976,608	3,903,693
Debt service:							
Principal	46,846				52,075	1,211,183	1,310,104
Interest	2,859				1,288	453,976	458,123
Bond issue costs						48,901	48,901
Total Expenditures	<u>4,328,702</u>	<u>0</u>	<u>2,816,438</u>	<u>22,460</u>	<u>3,419,016</u>	<u>3,920,331</u>	<u>14,506,947</u>
Excess of Revenues over							
(under) Expenditures	<u>(192,996)</u>	<u>20,444</u>	<u>(235,594)</u>	<u>254,782</u>	<u>(253,817)</u>	<u>(864,316)</u>	<u>(1,271,497)</u>

## ITAWAMBA COUNTY

Exhibit 4 (Continued)

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2011

	Major Funds					Other	Total
	General	Tombigbee	Bluefire	Itawamba	Countywide Road	Governmental	Governmental
	Fund	Tooling, Inc.	Industrial	County Medical	Maintenance	Funds	Funds
		Fund	Fund	Fund	Funds		
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	6,205						6,205
Premiums on bonds issued						37,150	37,150
Refunding bonds issued						1,795,000	1,795,000
Proceeds from sale of capital assets					33,261		33,261
Compensation for loss of capital assets					36,888		36,888
Transfers in			157,121		23,386	893,448	1,073,955
Transfers out	(298,365)	(48,819)	(380,434)		(2,605)	(340,121)	(1,070,344)
Lease principal payments		28,416					28,416
Debt service principal - refunding bonds						(1,755,000)	(1,755,000)
Total Other Financing Sources and Uses	<u>(292,160)</u>	<u>(20,403)</u>	<u>(223,313)</u>	<u>0</u>	<u>90,930</u>	<u>630,477</u>	<u>185,531</u>
Net Changes in Fund Balances	<u>(485,156)</u>	<u>41</u>	<u>(485,907)</u>	<u>254,782</u>	<u>(162,887)</u>	<u>(233,839)</u>	<u>(1,085,966)</u>
Fund Balances - Beginning, as previously reported	1,466,162	2,807	666,243	1,029,086	854,953	1,432,540	5,451,791
Prior period adjustments				(127,175)		127,175	
Fund Balances - Beginning, as restated	<u>1,466,162</u>	<u>2,807</u>	<u>666,243</u>	<u>901,911</u>	<u>854,953</u>	<u>1,559,715</u>	<u>5,451,791</u>
Fund Balances - Ending	\$ <u>981,006</u>	<u>2,848</u>	<u>207,336</u>	<u>1,156,693</u>	<u>692,066</u>	<u>1,325,876</u>	<u>4,365,825</u>

The notes to the financial statements are an integral part of this statement.

## ITAWAMBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,085,966)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$5,993,057 exceeded depreciation of \$1,182,294 in the current period.	4,810,763
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$2,586, the proceeds from the sale of \$33,261 and the insurance proceeds \$36,888 in the current period.	(67,563)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(27,722)
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net assets differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds.	37,333
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$3,065,104 exceeded debt proceeds of \$1,801,205.	1,263,899
Under the modified accrual basis of accounting used in Governmental Funds, costs associated with the issuance of bonds are reported as expenditures. However in the Statement of Activities, the costs of issuing bonds are amortized over the life of the new bond issue.	48,901
Under the modified accrual basis of accounting used in Governmental Funds, amounts received for bond premiums are reported as other financing sources. However in the Statement of Activities, these bond premiums are amortized over the life of the new bond issue.	(37,150)

ITAWAMBA COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2011

Amount

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Decrease (increase) in compensated absences	(18,596)
Increase (decrease) in prepaid insurance	2,969
Decrease (increase) in accrued interest payable	19,603

In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.

(28,416)

Change in Net Assets of Governmental Activities

\$ 4,918,055

The notes to the financial statements are an integral part of this statement.



ITAWAMBA COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2011

Exhibit 5

	Business-type Activities - Enterprise Fund Solid Waste Disposal Fund Total
<b>ASSETS</b>	
Current assets:	
Cash	\$ 214,597
Accounts receivable (net of allowance for uncollectibles of \$385,420)	70,400
Intergovernmental receivables	3,871
Other receivables	38,622
Due from other funds	31,584
Total Current Assets	<u>359,074</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	163,305
Total Noncurrent Assets	<u>163,305</u>
Total Assets	<u>522,379</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	84,752
Intergovernmental payables	3,063
Due to other funds	11,412
Advances from other funds	24,350
Accrued interest payable	163
Unearned revenue	71,138
Capital debt:	
Capital leases payable	23,116
Total Current Liabilities	<u>217,994</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	72,776
Non-capital debt:	
Compensated absences payable	21,077
Total Noncurrent Liabilities	<u>93,853</u>
Total Liabilities	<u>311,847</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	67,413
Restricted for:	
Public works	143,119
Total Net Assets	\$ <u>210,532</u>

The notes to the financial statements are an integral part of this statement.

## ITAWAMBA COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2011

	Business-type Activities - <u>Enterprise Funds</u> Solid Waste Disposal Fund <u>Totals</u>
Operating Revenues	
Charges for services	\$ 965,783
Total Operating Revenues	<u>965,783</u>
Operating Expenses	
Personal services	527,973
Contractual services	357,363
Materials and supplies	212,927
Depreciation expense	59,984
Indirect administrative cost	11,412
Total Operating Expenses	<u>1,169,659</u>
Operating Income (Loss)	<u>(203,876)</u>
Nonoperating Revenues (Expenses)	
Interest income	3,248
Intergovernmental grants	6,929
Interest expense	(2,519)
Other income	3,871
Net Nonoperating Revenue (Expenses)	<u>11,529</u>
Net Income (Loss) Before Transfers	(192,347)
Transfers out	<u>(3,611)</u>
Changes in Net Assets	<u>(195,958)</u>
Net Assets - Beginning, as previously reported	478,978
Prior period adjustment	<u>(72,488)</u>
Net Assets - Beginning, as restated	<u>406,490</u>
Net Assets - Ending	\$ <u><u>210,532</u></u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities - Enterprise Funds Solid Waste Disposal Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 948,617
Payments to suppliers	(181,753)
Payments to employees	(517,957)
Payments for claims	(364,055)
Net Cash Provided (Used) by Operating Activities	(115,148)
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	6,929
Cash paid to other funds:	
Operating transfers out	(3,611)
Net Cash Provided (Used) by Noncapital Financing Activities	3,318
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(22,528)
Interest paid on debt	(2,742)
Other receipts	4,199
Net Cash Provided (Used) by Capital and Related Financing Activities	(21,071)
Cash Flows From Investing Activities	
Interest on deposits	3,248
Net Cash Provided (Used) by Investing Activities	3,248
Net Increase (Decrease) in Cash and Cash Equivalents	(129,653)
Cash and Cash Equivalents at Beginning of Year	344,250
Cash and Cash Equivalents at End of Year	\$ 214,597
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (203,876)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	59,984
Provision for uncollectible accounts	17,228
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(37,006)
(Increase) decrease in other receivables	1,761
(Increase) decrease in intergovernmental receivables	3,892
(Increase) decrease in interfund receivables	(1,690)
Increase (decrease) in claims payable	26,412
Increase (decrease) in compensated absences liability	7,707
Increase (decrease) in unearned revenue	(1,351)
Increase (decrease) in intergovernmental payables	378
Increase (decrease) in interfund payables	11,412
Rounding	1
Total Adjustments	88,728
Net Cash Provided (Used) by Operating Activities	\$ (115,148)

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2011

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	36,854
Intergovernmental receivables		9,082
Total Assets	\$	<u>45,936</u>
LIABILITIES		
Amounts held in custody for others	\$	1,268
Other liabilities		2,886
Intergovernmental payables		41,782
Total Liabilities	\$	<u>45,936</u>

The notes to the financial statements are an integral part of this statement.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Itawamba County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Itawamba County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Banner/Bounds Fire District
- Cardsville Fire District
- Dorsey-Friendship Fire District
- Evergreen-Carolina Fire District
- Greater Fulton Fire District
- Houston Fire District
- Liberty Grove Fire District
- Mantachie Fire District
- Northeast Itawamba Fire District
- Ryan's Well Fire District
- Tilden-New Salem Fire District
- Tremont Fire District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

##### B. Individual Component Unit Disclosures.

###### Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

The Itawamba County Port Commission was created by a special act of the Mississippi Legislature in 1973, for the purpose of overseeing the operations of the Port. A five member board of commissioners is appointed by the Itawamba County Board of Supervisors.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

The Itawamba County Economic Development District is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government.

#### C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

##### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Tombigbee Tooling, Inc. Fund – This fund is used to account for the industrial capital lease receivable and the loan associated with it.

Bluefire Industrial Fund – This fund is used to account for monies from specific resources that are restricted for use on the Blue Fire project.

Itawamba County Medical Fund – This fund is used to account for monies received from health care providers leasing property from the County.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The county reports the following major Enterprise Fund:

Solid Waste Fund – This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

#### G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."



# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### I. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

### J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital asset costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Itawamba County meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. Equity Classifications.

##### Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

##### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

*Committed fund balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the county's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

### (2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

### (3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

#### Governmental Activities:

<u>Explanation</u>	<u>Amount</u>
To correct error in capital assets, net.	\$ <u>(495,220)</u>
Total prior period adjustments	\$ <u><u>(495,220)</u></u>

#### Business-type Activities:

<u>Explanation</u>	<u>Amount</u>
To correct error in accounts receivable, net.	\$ <u>(72,488)</u>
Total prior period adjustment	\$ <u><u>(72,488)</u></u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct error in payables – Other Governmental Funds.	\$ 127,175
To correct error in payables – Itawamba County Medical Fund	<u>(127,175)</u>
Total prior period adjustments	\$ <u><u>0</u></u>

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.

<u>Explanation</u>	<u>Amount</u>
To correct error in accounts receivable, net.	\$ <u>(72,488)</u>
Total prior period adjustment	\$ <u>(72,488)</u>

#### (4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$5,229,594, and the bank balance was \$5,259,195. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

#### (5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

##### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Disposal	General	\$ 31,584
General	Solid Waste Disposal	11,412
Countywide Road Maintenance	General	38,650
Other Governmental Funds	General	<u>36,628</u>
Total		\$ <u>118,274</u>

The payable from the Solid Waste Disposal Fund represents the amount owed for indirect costs paid by the General Fund. The remaining receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

##### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Disposal	\$ <u>24,350</u>

The payable from the Solid Waste Disposal Fund represents the amount owed for indirect costs for prior years paid by the General Fund.

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 94
Countywide Road Maintenance Fund	Other Governmental Funds	19,681
Countywide Road Maintenance Fund	Solid Waste Disposal Fund	3,611
Bluefire Industrial Fund	Other Governmental Funds	157,121
Other Governmental Funds	General Fund	298,271
Other Governmental Funds	Countywide Road	2,605
Other Governmental Funds	Bluefire Industrial Fund	380,434
Other Governmental Funds	Tombigbee Tooling, Inc. Fund	48,819
Other Governmental Funds	Other Governmental Funds	163,319
Total		\$ <u>1,073,955</u>

The purpose of the transfers was to provide funds for debt payments on port and industrial bonds and interest, port and road maintenance salaries, for economic development and for distribution of tax levy to county fire departments.

### (6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 110,282
DIP grant	278,175
Reimbursement for state aid roads	55,117
Motor vehicle fuel tax	19,457
Additional privilege tax	7,671
Housing prisoners reimbursement	3,020
Youth court grant	2,270
Department of Human Services-welfare	1,646
Other	907
Total Governmental Activities	\$ <u>478,545</u>
<b>Business-type Activities:</b>	
Reimbursement for garbage service	\$ <u>3,871</u>

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### (7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

#### Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 4,855,161	240,939		(49,500)	5,046,600
Construction in progress	3,236,411	3,709,647		(6,946,058)	
Total non-depreciable capital assets	8,091,572	3,950,586	0	(6,995,558)	5,046,600
<u>Depreciable capital assets:</u>					
Infrastructure	5,845,625	1,130,787			6,976,412
Buildings	6,083,929			(390,500)	5,693,429
Improvements other than buildings	4,523,251			6,869,058	11,392,309
Mobile equipment	5,869,587	579,548	151,008	99,669	6,397,796
Furniture and equipment	590,525	324,362	13,882		901,005
Leased property under capital leases	410,498	7,774		(99,669)	318,603
Total depreciable capital assets	23,323,415	2,042,471	164,890	6,478,558	31,679,554
<u>Less accumulated depreciation for:</u>					
Infrastructure	609,781	160,950			770,731
Buildings	2,176,125	113,869		(15,620)	2,274,374
Improvements other than buildings	1,073,260	466,147		(6,160)	1,533,247
Mobile equipment	4,493,380	311,490	84,834	53,821	4,773,857
Furniture and equipment	433,355	72,489	12,493		493,351
Leased property under capital leases	162,798	57,349		(53,821)	166,326
Total accumulated depreciation	8,948,699	1,182,294	97,327	(21,780)	10,011,886
Total depreciable capital assets, net	14,374,716	860,177	67,563	6,500,338	21,667,668
Governmental activities capital assets, net	\$ 22,466,288	4,810,763	67,563	(495,220)	26,714,268

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### Business-type activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
<b>Depreciable capital assets:</b>					
Mobile equipment	615,251				615,251
Leased property under capital leases	118,420				118,420
Total depreciable capital assets	733,671	0	0	0	733,671
<b>Less accumulated depreciation for:</b>					
Mobile equipment	489,067	38,669			527,736
Leased property under capital leases	21,315	21,315			42,630
Total accumulated depreciation	510,382	59,984	0	0	570,366
Total depreciable capital assets, net	223,289	(59,984)	0	0	163,305
Business-type activities capital assets, net	\$ 223,289	(59,984)	0	0	163,305

\*Adjustments represent reclassifications from construction in progress to improvements other than buildings, adjustment to remove land, building and improvements other than buildings for a capital lease as lessor, and reclassification of leased property under capital leases to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 149,041
Public safety	142,109
Public works	580,117
Health and welfare	26,700
Conservation of natural resources	1,390
Economic development and assistance	282,937
Total governmental activities depreciation expense	\$ 1,182,294
<b>Business-type activities:</b>	
Solid waste	\$ 59,984
Total business-type activities depreciation expense	\$ 59,984



# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### (8) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (9) Operating Leases.

#### As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$16,221 for the year ended September 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2012	\$ 16,221
2013	16,221
2014	<u>16,221</u>
Total Minimum Payments Required	\$ <u><u>48,663</u></u>

### (10) Capital Leases.

#### As Lessor:

The county leases the following property with varying terms and options as of September 30, 2011:

<u>Year Ended September 30</u>	<u>Amount</u>
2012	\$ 16,221
2013	16,221
2014	<u>16,221</u>
Total Minimum Payments Required	\$ <u><u>48,663</u></u>

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2011, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 29,534	19,285
2013	30,810	18,009
2014	32,082	16,737
2015	33,409	15,410
2016	34,749	14,070
2017 – 2021	196,697	47,400
2022 – 2026	<u>130,411</u>	<u>8,079</u>
Total	\$ <u>487,692</u>	<u>138,990</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 318,603	118,420
Less: Accumulated depreciation	<u>166,326</u>	<u>42,630</u>
Leased Property Under Capital Leases	\$ <u>152,277</u>	<u>75,790</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 55,883	4,666	23,116	2,154
2013	48,835	2,799	23,719	1,551
2014	34,406	915	24,338	931
2015	<u>7,894</u>	<u>87</u>	<u>24,719</u>	<u>296</u>
Total	\$ <u>147,018</u>	<u>8,467</u>	<u>95,892</u>	<u>4,932</u>

ITAWAMBA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

(11) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

<u>Description and Purpose</u>	<u>Amount</u>	<u>Interest</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
2007 industrial development bonds	\$ 2,535,000	5.00-	04/2022
2009 industrial development bonds	2,535,000	4.25-6.00%	08/2019
2011 general obligation refunding bonds	<u>1,795,000</u>	2.00%	04/2016
Total General Obligation Bonds	<u>\$ 6,865,000</u>		
B. Capital Leases:			
Two 2008 Crown Victorias	\$ 1,213	3.78%	10/2011
2009 Ford Escape	7,635	3.19%	01/2014
Two 2009 Ford F150s	7,631	3.08%	03/2012
2009 Ford Crown Victoria	15,764	3.16%	10/2014
2009 International 4300 dump truck	26,776	3.47%	10/2013
2010 International 4300 dump truck	39,825	4.09%	08/2014
2010 Ford F150	24,643	2.87%	07/2015
2010 Crown Victoria	17,742	3.10%	01/2015
Weatherall copier	<u>5,789</u>	15.27%	07/2014
Total Capital Leases	<u>\$ 147,018</u>		
C. Other Loans:			
Port development (Project 2)	\$ 543,638	0.25%	10/2019
Port dredging	63,627	3.00%	08/2015
Port Commission	188,018	4.75%	07/2017
Port Commission	85,362	3.00%	05/2012
Peopleloungers, Inc.	82,206	2.25%	05/2013
Peopleloungers, Inc.	250,491	3.00%	05/2018
Tombigbee Tooling, Inc.	<u>487,466</u>	4.00%	06/2024
Total Other Loans	<u>\$ 1,700,808</u>		
<b>Business-type Activities:</b>			
Capital Lease:			
Garbage truck	<u>\$ 95,892</u>	2.58%	08/2015

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 835,000	284,658	309,064	42,830
2013	850,000	266,274	212,317	34,878
2014	890,000	228,747	183,343	29,093
2015	935,000	189,652	188,176	27,459
2016	725,000	157,160	175,831	19,868
2017 – 2021	2,345,000	367,362	501,891	50,676
2022 – 2026	285,000	14,250	130,186	4,775
Total	\$ 6,865,000	1,508,103	1,700,808	209,579

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 5.32% of the latest property assessments.

Current Refunding - On September 30, 2011, the county issued \$1,795,000 in general obligation refunding bonds with an interest rate of 2.00% to refund \$1,755,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
2001 GO Road & Bridge Bonds	4.25%	\$ 855,000
2005 GO Road & Bridge Bonds	3.36%	900,000

The county refunded the above bonds to reduce its total debt service payments over the next 5 years by almost \$68,368 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$66,156.

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 96,344	18,596			114,940	
General obligation bonds	7,730,000	1,795,000	2,660,000		6,865,000	835,000
Add:						
Premiums		37,150			37,150	
Capital leases	244,526	6,205	103,713		147,018	55,883
Other loans	2,002,199		301,391		1,700,808	309,064
Total	\$ 10,073,069	1,856,951	3,065,104	0	8,864,916	1,199,947
<b>Business-type Activities:</b>						
Compensated absences	\$ 13,370	7,707			21,077	
Capital leases	118,420		22,528		95,892	23,116
Total	\$ 131,790	7,707	22,528	0	116,969	23,116

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, County Reappraisal 1 mill Fund, Itawamba County E911 Fund, Port Fund, Homeland Security Fund, DARE Fund, Countywide Road Maintenance Fund, Solid Waste Enforcement Fund and Solid Waste Fund.

### (12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2011:

Fund	Deficit Amount
Townhouse Construction Fund	\$ 3,335
GO Refunding Bonds 2003	6,261
2005 Road & Bridge Bonds	49,347
Road & Bridge Emergency 1009 4 <sup>th</sup>	24

### (13) Contingencies.

**Federal Grants** - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

**Litigation** - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

**Solid Waste Revenue Refunding Bonds** - In 1998, Solid Waste Revenue Refunding Bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Itawamba County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$2,030,000 refunding bonds balance at September 30, 2011 is \$136,213.

## ITAWAMBA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### (14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the fourteen members of the Authority's board. The County did not appropriate any funds for the support of the Authority in fiscal year 2011.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints five of the forty members of the District Board of Directors. The County appropriated \$20,559 for the maintenance and support of the District in fiscal year 2011.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the College Board of Trustees. The County appropriated \$903,222 for the maintenance and support of the College in fiscal year 2011.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the Board of Commissioners. The County appropriated \$16,787 for maintenance and support of the Commission in fiscal year 2011.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the twenty-four members of the board of directors. The County did not appropriate any funds for the support of the organization in fiscal year 2011.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$15,939 for support of the district in fiscal year 2011.

#### (15) Defined Benefit Pension Plan.

Plan Description. Itawamba County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$358,302, \$350,858 and \$330,828, respectively, equal to the required contributions for each year.

# ITAWAMBA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### (16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Itawamba County evaluated the activity of the county through October 2, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
07/06/2012	15.27%	\$	5,978	Capital lease	Ad valorem taxes
02/01/2013	2.27%		85,313	Capital lease	Ad valorem taxes
04/30/2013	1.25-3.00%		2,130,000	G.O. Refunding Bond	Ad valorem taxes

ITAWAMBA COUNTY

(This page left blank intentionally.)



ITAWAMBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY

(This page left blank intentionally.)

ITAWAMBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,827,532	2,828,032	2,826,731	(1,301)
Licenses, commissions and other revenue	280,400	230,400	214,057	(16,343)
Fines and forfeitures	266,000	292,000	291,875	(125)
Intergovernmental revenues	874,000	874,000	821,942	(52,058)
Charges for services	42,100	60,100	76,928	16,828
Interest income	16,800	17,700	16,564	(1,136)
Miscellaneous revenues	192,500	376,900	374,829	(2,071)
Total Revenues	<u>4,499,332</u>	<u>4,679,132</u>	<u>4,622,926</u>	<u>(56,206)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,895,444	2,961,764	2,526,980	434,784
Public safety	1,286,756	1,374,841	1,385,618	(10,777)
Health and welfare	225,981	225,981	89,363	136,618
Culture and recreation	95,000	95,170	93,669	1,501
Conservation of natural resources	90,538	95,185	89,215	5,970
Economic development and assistance	237,901	237,901	118,837	119,064
Debt service:				
Principal	19,721	66,321	47,108	19,213
Interest			2,597	(2,597)
Total Expenditures	<u>4,851,341</u>	<u>5,057,163</u>	<u>4,353,387</u>	<u>703,776</u>
Excess of Revenues over (under) Expenditures	<u>(352,009)</u>	<u>(378,031)</u>	<u>269,539</u>	<u>647,570</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(126,115)	(519,115)	(518,361)	754
Total Other Financing Sources and Uses	<u>(126,115)</u>	<u>(519,115)</u>	<u>(518,361)</u>	<u>754</u>
Net Change in Fund Balance	(478,124)	(897,146)	(248,822)	648,324
Fund Balances - Beginning	<u>1,205,779</u>	<u>1,333,679</u>	<u>1,767,177</u>	<u>433,498</u>
Fund Balances - Ending	<u>\$ 727,655</u>	<u>436,533</u>	<u>1,518,355</u>	<u>1,081,822</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Tombigbee Tooling, Inc. Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income			41	41
Miscellaneous revenues	55,812	55,812	48,819	(6,993)
Total Revenues	55,812	55,812	48,860	(6,952)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(48,819)	(44,751)	4,068
Total Other Financing Sources and Uses	0	(48,819)	(44,751)	4,068
Net Change in Fund Balance	55,812	6,993	4,109	(2,884)
Fund Balances - Beginning	2,807	2,807	2,807	0
Fund Balances - Ending	\$ 58,619	9,800	6,916	(2,884)

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Blue Fire Industrial Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	8,200	8,200	3,610	(4,590)
Miscellaneous revenues		2,633,234	2,633,234	
Total Revenues	<u>8,200</u>	<u>2,641,434</u>	<u>2,636,844</u>	<u>(4,590)</u>
EXPENDITURES				
Current:				
Economic development and assistance	724,303	3,023,945	2,822,701	201,244
Total Expenditures	<u>724,303</u>	<u>3,023,945</u>	<u>2,822,701</u>	<u>201,244</u>
Excess of Revenues over (under) Expenditures	<u>(716,103)</u>	<u>(382,511)</u>	<u>(185,857)</u>	<u>196,654</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		157,122	157,121	(1)
Transfers out		(380,434)	(380,434)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(223,312)</u>	<u>(223,313)</u>	<u>(1)</u>
Net Change in Fund Balance	(716,103)	(605,823)	(409,170)	196,653
Fund Balances - Beginning	<u>2,931,591</u>	<u>557,191</u>	<u>556,506</u>	<u>(685)</u>
Fund Balances - Ending	<u>\$ 2,215,488</u>	<u>(48,632)</u>	<u>147,336</u>	<u>195,968</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Itawamba County Medical Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	9,000	20,400	11,720	(8,680)
Miscellaneous revenues	257,172	257,172	265,522	8,350
Total Revenues	266,172	277,572	277,242	(330)
EXPENDITURES				
Current:				
Health and welfare	23,000	174,500	173,726	774
Total Expenditures	23,000	174,500	173,726	774
Excess of Revenues over (under) Expenditures	243,172	103,072	103,516	444
Net Change in Fund Balance	243,172	103,072	103,516	444
Fund Balance- Beginning	1,053,177	1,053,177	1,053,177	
Fund Balance- Ending	1,296,349	1,156,249	1,156,693	444

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County wide Road Maintenance Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 770,000	770,000	716,048	(53,952)
Road and bridge privilege taxes	215,000	277,000	276,906	(94)
Intergovernmental revenues	333,600	684,600	683,146	(1,454)
Interest income	25,000	25,000	8,566	(16,434)
Miscellaneous revenues	57,000	141,000	140,974	(26)
Total Revenues	<u>1,400,600</u>	<u>1,897,600</u>	<u>1,825,640</u>	<u>(71,960)</u>
EXPENDITURES				
Current:				
Public works	1,389,932	1,973,932	1,947,619	26,313
Principal	100,000	70,000	49,837	20,163
Interest			3,526	(3,526)
Total Expenditures	<u>1,489,932</u>	<u>2,043,932</u>	<u>2,000,982</u>	<u>42,950</u>
Excess of Revenues over (under) Expenditures	<u>(89,332)</u>	<u>(146,332)</u>	<u>(175,342)</u>	<u>(29,010)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		19,000	18,375	(625)
Transfers out		(4,000)	(2,842)	1,158
Total Other Financing Sources and Uses	<u>0</u>	<u>15,000</u>	<u>15,533</u>	<u>533</u>
Net Change in Fund Balance	(89,332)	(131,332)	(159,809)	(28,477)
Fund Balances - Beginning	<u>774,058</u>	<u>636,058</u>	<u>822,826</u>	<u>186,768</u>
Fund Balances - Ending	<u>\$ 684,726</u>	<u>504,726</u>	<u>663,017</u>	<u>158,291</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY

(This page left blank intentionally.)



# ITAWAMBA COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2011

### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types				
	General Fund	Tombigbee Tooling, Inc. Fund	Bluefire Industrial Fund	Itawamba Co. Medical Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (248,822)	4,109	(409,170)	103,516	(159,809)
Increase (Decrease)					
Net adjustments for revenue accruals	(177,230)		(56,000)	151,266	(20,293)
Net adjustments for expenditure accruals	(59,104)	(4,068)	6,263		17,215
GAAP Basis	<u>\$ (485,156)</u>	<u>41</u>	<u>(458,907)</u>	<u>254,782</u>	<u>(162,887)</u>

ITAWAMBA COUNTY

(This page left blank intentionally.)

## ITAWAMBA COUNTY

### SPECIAL REPORTS

ITAWAMBA COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Itawamba County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 2, 2013.

Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. Additionally, our report includes a qualified opinion on the General Fund because the county did not maintain and preserve adequate subsidiary records documenting the valuation of the Justice Court fines receivable, net. Except for the limitations related to the qualified opinion on the General Fund, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Itawamba County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-1, 11-2, 11-3, 11-4, 11-7, 11-9 and 11-10 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-5, 11-6 and 11-8 to be significant deficiencies.

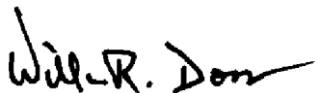
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Itawamba County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 2, 2013, included within this document.

Itawamba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Itawamba County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 2, 2013



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Itawamba County, Mississippi

We have examined Itawamba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Itawamba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Itawamba County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Lease-purchase financing should be approved by the Board of Supervisors.

Finding

Section 31-7-13(e), Miss. Code Ann. (1972), states lease-purchase financing may be obtained from the vendor or from a third-party source after having solicited and obtained at least two written competitive bids. The county did not obtain two competitive written bids for lease-purchase financing for a copy machine. Failure to obtain at least two competitive written bids for lease-purchase financing could result in the loss public funds.

### Recommendation

The Board of Supervisors should obtain lease-purchase financing only after receiving at least two competitive written bids.

### Board of Supervisors' Response

All future purchases will comply with purchase laws.

2. Interest rate on lease purchase agreements should not exceed maximum rate.

### Finding

Section 31-7-13(e), Miss. Code Ann. (1972), states that no lease-purchase agreement shall be for an annual rate of interest which is greater than the overall maximum interest rate to maturity on general obligation indebtedness permitted under Section 75-17-101. The maximum interest rate is 11% per annum. The county purchased a copy machine under a lease-purchase agreement with an interest rate of 15.273%.

### Recommendation

The Board of Supervisors should ensure that lease-purchase financing does not exceed the maximum interest rate of 11% allowed under Section 75-17-101.

### Board of Supervisors' Response

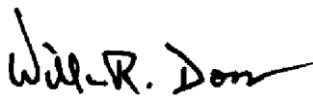
This is being corrected. The vendor has been contacted and a new amortization schedule is being prepared to reflect the correct interest rate.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Itawamba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Itawamba County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Itawamba County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 2, 2013



## ITAWAMBA COUNTY

Schedule 1

## Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
1/3/2011	Washed gravel	8.00/yard	MS Gravel Sales	6.29/yard	Travel distance to pick up gravel is shorter.
1/4/2011	Class A pumper fire truck	\$ 198,747	Rosenbauer	\$ 188,890	Lowest bid did not meet stated specifications.

ITAWAMBA COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2011

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
7/5/2011	Prepare temporary industrial building to relocate industry	\$ 134,002	F.L. Cane & Sons	Conditions of extreme peril to safety of persons and property caused by tornado
7/5/2011	Prepare temporary industrial building to relocate industry	46,630	Jesco, Inc.	Conditions of extreme peril to safety of persons and property caused by tornado
7/5/2011	Prepare temporary industrial building to relocate industry	21,100	Paul Smithey	Conditions of extreme peril to safety of persons and property caused by tornado
9/6/2011	Prepare temporary industrial building to relocate industry	226,736	Jesco, Inc.	Conditions of extreme peril to safety of persons and property caused by tornado
9/6/2011	Prepare temporary industrial building to relocate industry	4,620	Kline Mechanical Systems, Inc.	Conditions of extreme peril to safety of persons and property caused by tornado

## ITAWAMBA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
2/22/2011	Crushed concrete	\$ 11.25/yard	MMC Materials

ITAWAMBA COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Itawamba County, Mississippi

In planning and performing our audit of the financial statements of Itawamba County, Mississippi for the year ended September 30, 2011, we considered Itawamba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Itawamba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 2, 2013, on the financial statements of Itawamba County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County levied insufficient debt tax levies.

Finding

Section 19-9-9, Miss. Code Ann. (1972), states the board of supervisors shall annually levy a special tax upon all of the taxable property within the county, which tax shall be sufficient to provide for the payment of the principal of and the interest on such bonds according to the terms thereof. The Road and Bridge Emergency Fund, the G. O. Refunding Bonds 2003 Fund and the 2005 Road and Bridge Bond Fund tax levies were not sufficient to provide for the payment of principal and interest on the bonds. Insufficient tax levies could result in the County's inability to pay principal and interest on the debt.

### Recommendation

The County should levy taxes sufficient for the payment of principal and interest on bonds, as required by law.

### Board of Supervisors' Response

When the budget was set for bond funds cash on deposit was used to fund the balances of payments not collected from current tax collections.

2. The County had unapproved interfund transfers and loans.

### Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. Interfund transfers and loans were made without board orders spread upon the minutes. Failure to obtain board approval for interfund transfers and loans increases the possibility of the loss or misuse of public funds.

### Recommendation

The Board of Supervisors should spread on its minutes orders relative to interfund transfers and loans.

### Board of Supervisors' Response

All transfers subsequent to year end will be noted in minutes and approved.

Chancery Clerk.

3. Controls over accounting for Chancery Clerk's fees should be strengthened.

### Finding

An effective system of internal controls over Chancery Clerk fees should include the timely deposit of fees collected and the reconciliation of the cash balance in the Chancery Clerk's fee journal to the bank balance. During test work, we noted that deposits of Chancery Clerk's fees were not made timely and the cash balance in the Chancery Clerk's fee journal did not agree with the reconciled bank balance. The failure to make timely deposits and to reconcile the Chancery Clerk's cash balances to the bank balance could result in a loss of public funds.

### Recommendation

The Chancery Clerk should ensure that deposits are made timely and that the reconciled bank balance agrees with the cash balance of the fee journal.

### Chancery Clerk's Response

This will be corrected.

4. The Chancery Clerk deducted unallowable expenses on the annual financial reports.

### Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the county's General Fund on or before April 15<sup>th</sup> for the preceding calendar year. During testing of the Chancery Clerk's expenses, we noted an expense of \$170 for Christmas cash gifts to his office help that is not an allowable expense. The deduction of unallowable expenses by the Chancery Clerk could lead to a loss of public funds.

### Recommendation

The Chancery Clerk should ensure all expenses are allowable and should file an amended annual financial report to reflect the correction for this unallowed expense.

### Chancery Clerk's Response

This will be corrected.

County Administrator.

### 5. County signed warrants without sufficient money.

#### Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds that did not have sufficient money to pay the warrants. At various times during the year, the following funds had negative cash balances:

- (a) Road and Bridge Emergency Fund
- (b) G. O. Refunding Bonds 2003 Fund
- (c) 2005 Road and Bridge Bond Fund
- (d) Solid Waste Enforcement Fund

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

#### Recommendation

The County Administrator should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

#### County Administrator's Response

All future warrants will be issued timely and for intended purpose.

### 6. County should use a cafeteria plan provider approved by the State Auditor.

#### Finding

Section 25-17-9(3), Miss. Code Ann. (1972), states only cafeteria plan providers who appear on the most recent list compiled by the State Auditor shall, directly or indirectly, provide benefits included in or administrative services related to cafeteria plans of local governmental entities. The county cafeteria plan provider was not on the approved list for 2011. Failure to use approved cafeteria plan providers could result in non-compliance with Internal Revenue Service requirements promulgated in Sections 89 and 125 of the Internal Revenue Code.

#### Recommendation

The Board of Supervisors should consult the most recent list of cafeteria plan providers compiled by the State Auditor and select an approved plan provider to administer the county cafeteria plan.

#### County Administrator's Response

An approved provider will be selected.

Sheriff.

7. The Sheriff should deposit money in an approved county depository.

Finding

Section 27-105-371, Miss. Code Ann. (1972), requires all county officials who receive funds under the authority of their office to deposit such funds into a county depository. We noted during test work that the Sheriff was not using the county depository to deposit funds. Failure to deposit funds in the county depository could result in the loss of public funds.

Recommendation

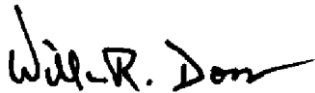
The Sheriff should ensure that all funds received by his office are deposited into the county depository as required by law.

Sheriff's Response

We were not aware of the violation. We will do better.

Itawamba County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 2, 2013



## ITAWAMBA COUNTY

### SCHEDULE OF FINDINGS AND RESPONSES

## ITAWAMBA COUNTY

(This page left blank intentionally.)

## ITAWAMBA COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Section 1: Summary of Auditor's Results

##### ***Financial Statements:***

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Tombigbee Tooling, Inc. Fund	Unqualified
Bluefire Industrial Fund	Unqualified
Itawamba County Medical Fund	Unqualified
Countywide Road Maintenance Fund	Unqualified
Aggregate remaining fund information	Unqualified
Solid Waste Disposal Fund	Unqualified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

#### Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

##### 11-1. Financial data for component units not included in financial statements.

###### Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county's financial statements do not include the financial data for the county's legal separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

###### Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

###### Board of Supervisors' Response

Financial data will be provided in financial statements in the future.

## ITAWAMBA COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Material Weakness

##### 11-2. Controls over financial statement preparation should be strengthened.

###### Finding

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include all disclosures in the notes to the financial statements, proper classification of revenues and expenditures, inclusion of all assets, liabilities, revenues and expenditures of the county and proper posting of transactions. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Revenues and expenditures in the amount of \$1,439,233 that were paid directly from State Aid Road to construction contractors for state aid road projects were omitted from the financial statements.
- b. Revenues and expenditures in the amount of \$30,496 in the Mantachie Building Rental Fund were included in the county's general ledger but omitted from the financial statements.
- c. Intergovernmental revenues from the State of Mississippi for the Blue Fire industry improvement site in the amount of \$1,148,847 were misclassified as charges for services.
- d. A receivable in the amount of \$198,179 from the Mississippi Development Authority for the Townhouse construction project was omitted from the financial statements.

Audit adjustments to correct these deficiencies were proposed to management and made to the financial statements with management's approval.

###### Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of the required note disclosures, proper classifications of revenues and expenditures, inclusion of all assets, liabilities, revenues and expenditures in the financial statements and the proper posting of transactions.

###### Board of Supervisors' Response

The County will comply.

#### Material Weakness

##### 11-3. Segregation of duties over county accounting functions should be strengthened.

###### Finding

An effective system of internal control over accounting functions should include an adequate segregation of duties. Based on test work performed, there is a lack of segregation of duties in the expenditures/expenses and accounts payable processes for the county. The county bookkeeper, has the authority to receive collections, prepare deposits, and make deposits as well as invoice processing, accounts payable, and the general ledger functions. The bookkeeper, also prepares disbursements, records the cash disbursements and general ledger entries, prepares the disbursements for mailing and reconciles the bank statement. Failure to implement adequate segregation of duties over accounting functions could result in the loss of public funds.

## ITAWAMBA COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Recommendation

The Board of Supervisors should take steps to ensure adequate separation of duties in the expenditure/expenses and accounts payable functions are implemented or take steps to see that a system of external oversight over the operating procedures of those functions is implemented.

#### Board of Supervisors' Response

We are continuously working on our controls with our limited staff.

#### Material Weakness

##### 11-4. Internal controls over land redemption collections and settlements should be strengthened.

#### Finding

An effective system of internal controls over land redemption collections and settlements should include the use of pre-numbered duplicate releases, the timely deposit of collections, monthly settlements of all collections that detail releases included in settlement and reconciling land redemption cash balance to bank statement. During our audit of land redemption, we noted the following deficiencies:

- a. Pre-numbered releases were not used for all collections. A photo copy of one release was used repeatedly for collections. This photo copied release did not include the date of collection. As of October 17, 2012, the last release completed in the pre-numbered release book was dated August 2011.
- b. No settlement checks were written from May 22, 2012 through August 30, 2012. During the audited fiscal year, no settlements were made to the county for the 5% damages on amount of taxes for which land was sold.
- c. As of October 2012, reconciliations of bank statements were only completed through October 2011. Per the county's October 2011 bank reconciliation, the land redemption account had a negative reconciled balance of \$18,479.
- d. A reconciliation conducted on October 17, 2012, revealed a significant cash shortage in the land redemption funds.

Failure to implement adequate controls over land redemption collections and settlements could lead to a loss of public funds.

#### Recommendation

The Chancery Clerk should ensure that controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.

#### Chancery Clerk's Response

This problem has been solved.

#### Auditor's Note

This matter has been referred to the Investigation Division of the Office of the State Auditor.

ITAWAMBA COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2011

Chancery Clerk.

Significant Deficiency

11-5. Internal controls over Chancery Clerk reimbursing deputies salaries should be strengthened.

Finding

An effective system of internal controls over payroll should include the timely reimbursement of county funds for Chancery Clerk employee payroll costs. The Chancery Clerk employed deputies whose payroll is processed with the county payroll. The Chancery Clerk has been reimbursing the county for his deputies' salaries after the actual payroll date, instead of paying in advance. Failure to reimburse the county for the Chancery Clerk's employee payroll in advance results in an unauthorized loan to the Chancery Clerk.

Recommendation

The Chancery Clerk should pay deputies' salaries, including benefits, to the county in advance of the payroll period.

Chancery Clerk's Response

This will be corrected.

County Administrator.

Significant Deficiency

11-6. Internal controls over county payroll checks should be strengthened.

Finding

An effective system of internal controls over payroll should include issuing payroll checks the day they are dated. During audit test work, we noted that payroll checks dated October 1, 2011 cleared the bank on September 30, 2011. The checks were distributed prior to the day they were dated. Payroll checks distributed prior to the day they are dated could result in the loss of public funds.

Recommendation

Payroll checks should be issued the day they are dated.

County Administrator's Response

Payroll checks will not be released prior to check date.

Material Weakness

11-7. Internal Controls over reconciling the payroll clearing account should be strengthened.

Finding

An effective system of internal controls should include reconciling the payroll clearing account on a monthly basis and explaining any differences noted in the reconciliation. During audit test work, we noted the payroll clearing account has an unreconciled difference with no explanation for the unreconciled difference. Failure to explain the unreconciled difference in the payroll clearing account each month could result in the loss of public funds.

## ITAWAMBA COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Recommendation

The County Administrator should ensure that differences noted in the payroll clearing account reconciliation are explained and documented.

#### County Administrator's Response

The account will be reconciled monthly in the future.

#### Significant Deficiency

- 11-8. The County should only pay employee salaries authorized in the board minutes and only allow full time employees to participate in the county's health insurance.

#### Finding

An effective system of internal controls over payroll disbursements should include paying employee salaries in accordance with amounts authorized in the Board of Supervisors' minutes and limiting health insurance only to employees that are designated as working full time in the Board minutes. Based on test work performed, we noted an employee that was paid more than the amount authorized in the board minutes and placed on the county's insurance without documentation to show the person is a full-time employee. Failure to pay salaries as approved in the board minutes and to allow employees that are not full time to participate in county health insurance could result in the loss of public funds.

#### Recommendation

The County Administrator should ensure employees are paid in accordance with authorized amounts in the Board of Supervisors' minutes. Also, controls should be in place to ensure that only full-time county employees are on the county health insurance.

#### County Administrator's Response

We will review controls and correct future payments.

#### Justice Court.

#### Material Weakness

- 11-9. Segregation of duties in Justice Court Clerk's office should be strengthened.

#### Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Justice Court office are not adequately segregated for effective internal controls. The Justice Court Clerk has access to collections, prepares bank deposits, prepares daily check-up sheets, makes monthly settlements, writes and signs all checks for disbursements and reconciles the bank statements. Failure to implement adequate segregation of duties could result in the loss of public funds.

#### Recommendation

The Justice Court Clerk should take steps to ensure adequate segregation of duties in the collection and disbursement functions of the Justice Court office are implemented or take steps to see that a system of external oversight over operating procedures of the Justice Court office is implemented.

ITAWAMBA COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2011

Justice Court Clerk's Response

All efforts will be made to adhere to all operating procedures.

Material Weakness

11-10. Controls over fines receivable in the Justice Court offices should be strengthened.

Finding

An effective system of internal control over Justice Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable are properly aged in order to estimate the collectability of these fines receivable and includes only fines due the county. Based on audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable as of September 30, 2011. Our tests also indicated the fines receivable balance included restitution and court costs. Failure to establish control procedures over aging of justice court fines receivable could result in erroneous amounts being reported in the financial statement. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should ensure that control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule for fines receivable to properly report the fines receivable due to the county at net realization value in the financial statement.

Justice Court Clerk's Response

I, Shelia Spradling, have only been Clerk since 1-3-12. We are in the process of updating all records pertaining to fines receivable. We hope to have proper procedures in place soon.